

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 2037 - SB 2384

February 2, 2016

CORRECTED SUMMARY OF BILL: Makes various changes to the regulatory oversight of health clubs. Transfers the role of oversight and regulation of health clubs from the Division of Regulatory Boards to a centrally-managed group of 14 other programs. Removes the current requirement for health clubs to hold a certificate pursuant to Tenn. Code Ann. § 47-18-302. Provides exemptions to the definition of health clubs for certain enterprises offering lessons or activities such as gymnastics, yoga, dance, aerobics, and directed high intensity interval training. Abolishes certain notification requirements regarding a change in ownership of a health club. Makes changes to the application and renewal requirements to allow health clubs to hold a certificate of exemption that will permit them to accept down payments for health club agreements. Requires health clubs which claim an exemption, which will prevent them from being required to post a surety bond of \$25,000, to maintain documentation verifying such exemption and having such information available for examination. Requires health clubs to present exemption documentation upon request by any law enforcement agency or the Division of Consumer Affairs (CAD).

ESTIMATED FISCAL IMPACT:

On January 31, 2016, a fiscal note was issued estimating a fiscal impact as follows:

Decrease State Revenue - \$53,900/Division of Regulatory Boards

Decrease State Expenditures - \$53,900/Division of Regulatory Boards

Other Fiscal Impact - By transferring the Health Club Registration Program from the Division of Regulatory Boards to the Division of Consumer Affairs, this program will no longer be required to be self-supporting over any two-year period. The Program, along with other programs administered by the Division of Consumer Affairs, will be supported by the General Fund. No significant transfer of expenditures to the General Fund is expected as this legislation reduces regulatory oversight of health clubs.

Due to an erroneous assumption regarding the future administrative support of the Health Club Registration Program, the summary, estimated fiscal impact and assumption were all in error. Based upon further review, the estimated impact is:

HB 2037 - SB 2384 (CORRECTED)

(CORRECTED)

Decrease State Revenue - \$53,900/Division of Regulatory Boards

Decrease State Expenditures - \$53,900/Division of Regulatory Boards

Other Fiscal Impact - By transferring the Health Club Registration Program from the Division of Regulatory Boards to a centralized group with 14 other programs, this program will no longer be required to be self-supporting over any two-year period.

Corrected Assumptions:

- Public Chapter 339 of the Public Acts of 2015 transferred regulatory oversight of health clubs from the CAD to the Division of Regulatory Boards. This legislation will transfer such programs to a centrally managed group of 14 other programs which share costs, personnel and other resources.
- Based on information provided by the Department of Commerce and Insurance, the Health Club Registration Program collected approximately \$53,900 in fee revenue in FY14-15 from health clubs for certification and incurred \$53,900 in expenditures in administering the Program.
- The Health Club Registration Program will no longer certify health clubs. The Program will no longer collect a fee from health clubs for initial application, renewal, or reinstatement; therefore, a recurring decrease in fee revenue of \$53,900 to the Division of Regulatory Boards.
- This legislation reduces the regulatory oversight of health clubs. Reducing the regulatory oversight of health clubs will result in a recurring decrease in expenditure related to supplies, travel, and other expenses currently incurred by the Program, all of which will no longer be incurred as a result of this legislation. Therefore, a recurring decrease in state expenditures of \$53,900 to the Division of Regulatory Boards.
- The reduced oversight allows this centralized group to administer the Health Club Registration Program utilizing existing resources during normal work hours.
- This legislation will exempt certain businesses from the definition of “health club.” Such businesses will no longer post surety bonds with a corporate surety in this state. This will have no significant fiscal impact upon the state.

IMPACT TO COMMERCE:

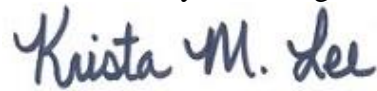
Decrease Business Expenditures - \$53,900

Assumptions:

- Health Clubs in this state will experience a recurring decrease in business expenditures from no longer being required to pay the fees related to initial application, renewal, and reinstatement estimated to be \$53,900 per year.
- Businesses which hold corporate surety bonds in this state will experience no significant fiscal impact from a decrease in the number of surety bonds posted from businesses no longer defined as “health clubs.”

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb